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After Ten Months of Playing Hardball, Government Backtracks On Its Policy and Will Once Again Subsidize the Cotton Crop

Report Categories:

Cotton and Products

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Report Highlights:

Egypt's recently revised government has backtracked on the policy of eliminating cotton subsidies to the sector and has allocated cash subsidies valued at LE 261.7 million (\$33 million) to buy the MY2015/16 cotton crop. The government, through the Holding Company for Textile, Weaving and Spinning (HCTWS), will buy farmers' medium and short staple cotton grown in Upper Egypt at LE 1,100 (\$ 137.5) per qintar (or \$28/bale), and the long and extra-long staple cotton grown in the Delta region at LE 1,250 (\$156) per qintar (or \$32/bale).

General Information:

Ten months after the former government implemented a decision to eliminate cash subsidies as a means to support cotton farmers, the newly appointed government has backtracked on the policy, allocating LE 261.7 million (\$33 million) to support purchasing the MY2015/16 crop. Under the plan, announced by the Minister of Agricultural and Land Reclamation (MALR), Dr. Essam Fayed, the government, through the Holding Company for Textile, Weaving and Spinning (HCTWS), will buy farmers' medium and short staple cotton grown in Upper Egypt at LE 1,100 (\$ 137.5) per qintar (or \$28/bale) (one qintar of seed cotton is equal to 150 kilogram while one qintar of lint cotton is equal to 45 kilogram), and the long and extra-long staple cotton grown in the Delta region at LE 1,250 (\$156) per qintar (or \$32/bale).

Under the plan, the government will pay the HCTWS a subsidy to encourage it to buy cotton from farmers at the aforementioned prices. For the short and medium staple cotton, the government will pay the HCTWS LE150 (\$19) per qintar (or \$4/bale) procured up to a value of LE11.7 million (\$1.5 million). For the long staple cotton grown in the Delta region, which represents the bulk of Egypt's cotton production, the government will pay it LE 250 (\$31) per qintar (or 6.3/bale) up to a value of LE 250 million (\$31.5 million).

The Farmers Union has rejected the government's plan, urging the government to increase prices to LE 1,250 (\$156) per qintar (or \$32/bale) of medium and short staple cotton and LE 1,400 (\$175) per qintar (or \$36/bale) of long and extra-long staple cotton.

In reports carried in the media, the MALR minister stated that long and extra-long staple cotton are witnessing a decline in demand, since the textile industry's preference has shifted to medium and short staple cotton, which also sells for less. He added that the trend is noticeable, as in the past five years farmers are increasingly facing difficulties marketing their crop, relying on government intervention.

The government's decision to subsidize the cotton crop, reversing the decision taken earlier this year by former Prime Minister, Dr. Ibrahim Mehleb, won't have an impact on the production of the MY2015/16 crop. Under the earlier plan, the government required farmers to have sales contracts in place prior to planting in order to receive seed and fertilizer subsidies. The policy significantly altered production, and this year's harvest which began in October will continue into late November. FAS Cairo projects a reduction in the MY2015/2016 crop by 40 percent to 315,000 bales [Cotton GAIN 2015 Annual Report](#).